

REPORT FOLLOW-UP

AGENCY: IDAHO MILITARY DIVISION

On November 4, 2004, the Legislative Services Office released a Management Report on Financial Procedures for the Idaho Military Division for fiscal years 2001, 2002, and 2003. The Division was contacted on February 25, 2005, and this follow-up report addresses how the Division has responded to the two findings and recommendations contained in that report.

STATUS OF RECOMMENDATIONS:

Finding #1 – Some accounting procedures did not ensure controls were in place and that financial information was accurate. The Division needed to improve some accounting procedures. For example, the Division (1) failed to obtain about \$200,000 in federal funds because it did not modify agreements with the federal government; (2) did not always require all employees to sign their time sheets (which could allow employees to dispute time records); and (3) did not always comply with travel policies and regulations. Also, the Division did not provide accurate information (used to compile statewide financial reports) to the State Controller, and incorrectly recorded revenue as negative expenditures, which understates revenues and expenditures and could be used to circumvent appropriation laws.

We recommended that the Division establish controls and procedures for each of these issues to ensure accurate accounting, compliance with policies and regulations, and protection of assets.

Audit Follow-up – The Division has taken action to resolve the issues addressed in this finding. It has reassigned resources and provided additional training and support which have helped modify federal agreements. As a result of these changes, the Division modified agreements for the year ending September 30, 2004 to obtain virtually all federal funds. The Division has implemented the State's electronic time reporting system (I-TIME) which requires employees to electronically sign their own time sheets. Additionally, the Division has provided training to managers on travel policies, and accounting staff is more closely scrutinizing travel claims prior to reimbursement. The Division discontinued recording revenues as negative expenditures and has correctly reported accurate information to the State Controller's Office regarding the *Catalog of Federal Domestic Assistance* information for the Homeland Security grants.

Status – CLOSED

Finding #2 – The Division's information technology (IT) organizational structure did not allow efficient performance and timely management information.

A well-organized IT structure helps ensure stability and continuity of computer applications and efficient operations. The Division's IT organizational structure should be improved. Currently, some IT staff are directed and their work monitored by program personnel. As a result, it is difficult for the Division's chief technology officer to develop policies and procedures and to direct and monitor IT operations to ensure that management directives are followed.

We recommended that the Division review its organization structure, current workloads, and staffing needs for its IT section. We also recommended that the Division establish formal written policies to identify risk areas, prioritize projects, modify or correct current applications, document program applications developed by members of its staff, and ensure that computer operations are secure.

Audit Follow-up – The Division has taken some action to resolve these issues, although further action will be necessary to fulfill the Division's corrective action plan. The Division has reorganized its IT staff to ensure that the chief information officer supervises and prioritizes the work of the IT staff and has begun implementation of a project management system. The Division has also reviewed system access rights and has made adjustments as needed, and it has reminded employees to keep passwords confidential. While this work is commendable, the Division has yet to document many of its policies, procedures, and systems.

Status – IN PROCESS